

## Message Text

UNCLASSIFIED

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ACTION EUR-12

INFO OCT-01 EA-09 NEA-10 IO-13 ISO-00 SP-02 USIA-15 AID-05  
EB-08 NSC-05 CIEP-02 SS-15 STR-04 OMB-01 CEA-01  
CIAE-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04  
SIL-01 /126 W

-----280516Z 070669 /11

R 271723Z JAN 77  
FM AMEMBASSY LONDON  
TO TREASURY DEPT WASHDC  
SECSTATE WASHDC 9973  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY DUBLIN  
AMEMBASSY NEW DELHI  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
AMCONSUL BELFAST  
AMCONSUL EDINBURGH  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS  
USDEL MTN GENEVA  
USDOC WASHDC

UNCLAS LONDON 01513

DEPARTMENT PASS FEDERAL RESERVE BOARD

TREASURY FOR DONALD SYVRUD, OASIA

E.O. 11652: N/A  
TAGS: EFIN, UK  
SUBJECT: BANK OF ENGLAND REDUCES CALL FOR SPECIAL  
DEPOSITS

1. THE BANK OF ENGLAND ANNOUNCED AN ADDITIONAL CUT OF ONE  
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PERCENTAGE POINT IN THE RATE OF CALL FOR SPECIAL DEPOSITS,  
TO BE EFFECTIVE FROM JANUARY 31 TO MARCH 10. THIS REDUC-  
TION WILL BRING THE RATE OF CALL TO 2 PERCENT, AND RE-  
LEASE APPROXIMATELY 360 MILLION POUNDS IN RESERVES TO THE  
BANKING SYSTEM. ALTHOUGH THE SUM SHOULD BE RETURNED TO  
THE BANK OF ENGLAND ON MARCH 10, THE BANK HAS POINTED OUT  
THAT IT MAY RESCIND THIS REQUIREMENT IF MARKET CONDITIONS

WARRANT. THE REDUCTION FOLLOWS A 2 PERCENT REDUCTION EFFECTIVE ON JANUARY 17, AND THE CANCELLATION OF ANOTHER PERCENT WHICH WOULD HAVE BEEN DUE JANUARY 28.

2. THE BANK EXPLAINED THIS MEASURE, LIKE THE EARLIER REDUCTIONS, AS A TECHNICAL STEP TO SMOOTH ITS MANAGEMENT OF THE MONEY MARKETS. THIS CANCELLATION, AS THE ONES IN JANUARY, FOLLOWS ON EXTRAORDINARILY LARGE SALE OF GILTS DURING THE PAST WEEK, AND THE BANK CITES THIS AS BEING THE MAJOR CONTRIBUTOR TO TIGHT MONEY MARKET CONDITIONS. IT ADDED, "CONSEQUENTLY, DESPITE OFFICIAL PURCHASES OF FOREIGN EXCHANGE, MONEY MARKET CONDITIONS AND PRESSURE ON THE RESERVE ASSET POSITION OF THE BANKING SYSTEM HAVE AGAIN BECOME EXCEPTIONALLY STRINGENT."

ARMSTRONG

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INTEREST RATES, BANK DEPOSITS, FINANCIAL RESERVES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 27-Jan-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01-Jan-1960 12:00:00 am  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Litigation History:**  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
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**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
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**Review Release Date:** n/a  
**Review Release Event:** n/a  
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**SAS ID:** 3486987  
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**Status:** NATIVE  
**Subject:** BANK OF ENGLAND REDUCES CALL FOR SPECIAL DEPOSITS  
**TAGS:** EFIN, UK, THE BANK OF LONDON  
**To:** TRSY STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009